

To: Thomas Thomas, City Manager

Subject: Liability Insurance Program for 2014/2015

Date: April 16, 2014

The City of Rock Island is entering its' 20<sup>th</sup> year of the consolidated liability insurance program. The current excess liability program covers all City departments.

In order to access the excess liability insurance market the city must hire an insurance broker to "shop" the market on behalf of the city. The insurance broker also acts as an insurance consultant throughout the year; a member of the City's General Liability Committee and helps select insurance policies that best protect the city in the most cost efficient manner. Arthur J Gallagher has received its annual fee of \$24,000 which was \$5,870 less than last year.

Arthur J Gallagher shopped the market and requested formal bids from several insurance companies for the renewal period of May 1, 2014 to May 1, 2015. Arthur J Gallagher has recommended USS Insurance Company for liability and the continuation of Midwest Claims Service for liability claims in excess of \$25,000. The City will stay with Selective Insurance for property insurance. Overall the increase cost for insurance is 6.4% and is due to property values and worker's compensation.

The City's catastrophic coverage for the upcoming year will be:

- The specific general liability stop loss will remain at \$100,000 with a maximum \$1,000,000 per occurrence. Umbrella coverage will provide additional coverage to \$4,000,000.
- Property coverage will continue with Selective Insurance at the same \$200,000 deductible per occurrence.
- Excess workers compensation coverage, deductible:
  - Police, Fire and EMT's current retention will remain at \$650,0000
  - USL&H current retention will remain at \$750,000
  - All other staff current retention will be held at \$600,000
- The property coverage package will also maintain coverage against casino revenue losses (tax and fee revenue) caused by a calamity to the casino such as a fire or other potential losses covered under the city's insurance policy.

The chart below illustrates the fees associated with last year's coverage in comparison to this year's renewal coverage.

Coverage		2013/2014	2014/2015
General Liability (casualty), Property, Auto Liability, Public Risk Liability, Crime, and Excess Liability Umbrella (additional \$4 million in coverage). Rates include tax.		\$253,751	\$268,511
Liquor Liability		\$2,176	\$2,145
Boiler & Machinery Breakdown (paid separately)		\$5,724	\$6,503
Scheduled Bond for Finance Director (1) (paid separately)		\$997	\$997
Excess Workers' Compensation		\$51,955	\$58,622
Marina Liability		\$13,190	\$12,184
<b>Total Insurance Premium Cost</b>		<b>\$327,793</b>	<b>\$348,962</b>
Admin Services	GL Claims Midwest Claims (estimated)	\$6,000	\$6,000
	Broker Fees	\$29,870	\$24,000
<b>Total Administrative Fees</b>		<b>\$35,870</b>	<b>\$30,000</b>
<b>Total Cost for Insurance and Administration</b>		<b>\$366,663</b>	<b>\$378,962</b>

**Notes:** (1) Schedule bond premium for the Finance Director will not be known until January 2015. Bond charges are stable and will likely not significantly change. The premium will not be paid until it is renewed.  
(2) TPA services from Midwest Claims include claims administration for any claim in excess of \$25,000 for all general liability claims (property, auto and casualty) at an estimated fee of \$6,000.

**Recommendation:** Human Resources recommends City Council approve the self-insurance package recommended by Arthur J Gallagher and third party administration services. Human Resources recommend City Council approves payment to Arthur J Gallagher in the amount of \$348,962 for the insurance renewals.

**Vendor 1:** Arthur J Gallagher

**Payment Amount:** \$348,962

**Account chargeable:**

<b>Fund:</b>	<b>621</b>	<b>Self Insurance</b>
<b>Division:</b>	<b>157133</b>	<b>Insurance</b>
<b>Cost Center:</b>	<b>53601</b>	<b>General Liability</b>
<b>Object Class:</b>	<b>0000000</b>	<b>Insurance Premiums</b>

**Requisition number:**

**Submitted by:** John D. Thorson, Human Resources Director  
Patrick Doherty, Risk Manager

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**Approved by:** Thomas Thomas, City Manager